Selected Publications

- "Ethnic Diversity and Trust", *Contemporary Economic Policy*, *forthcoming*.

  Abstract: Using data from U.S. states, I investigate the relationship between ethnic diversity and trust. I find a negative relationship between ethnic polarization and trust and a U-shaped relationship between ethnic fractionalization and trust. According to my estimations, (i) going from an ethnic polarization index of 0 to an ethnic polarization index of 1 decreases trust by almost 12 percentage points; and (ii) trust is minimized when the ethnic fractionalization index is equal to 0.34.

- "Fiscal Decentralization and Trust", *Public Finance Review, forthcoming*.

  Abstract: Using data from U.S. states and various measures of decentralization I investigate the relationship between fiscal decentralization and trust. I find that a 1 standard deviation increase in either revenue decentralization or expenditure decentralization causes the share of trusting people in a state to increase by almost 4 percentage points. A 1 standard deviation increase in the number of governments, on the other hand, causes trust to increase by almost 2.5 percentage points. The results are robust to endogeneity.

- "Corruption and Income Inequality in U.S. States: Evidence from Panel Cointegration and Error Correction Models", *Public Choice, forthcoming* (with Nicholas Apergis and James E. Payne).

  Abstract: We investigate the direction of causality between corruption and income inequality within a multivariate framework using a panel data set of all fifty U.S. states over the period 1980 to 2004. Given the relatively short span of the time series data, we employ a panel cointegration and error correction model to infer the causal relationship. Based on the heterogeneous panel cointegration test by Pedroni (1999, 2004), cointegration is present between income inequality, corruption, the unemployment rate, real personal income per capita, education, and unionization rate. In the long-run corruption and the unemployment rate have a positive and statistically significant impact on income inequality while real personal income per capita, education, and unionization rate have a negative and statistically significant impact on income inequality. The Granger-causality results associated with a panel vector error correction model indicate the presence of both short-run and long-run bidirectional causality between corruption and income inequality.

- "Trust and Growth", *Public Choice*, 2010, 142: 59-67 (with Eric M. Uslaner).

  Abstract: Using data from U.S. states, we find a positive relationship between trust and growth. According to our results, a 10 percentage point increase in trust increases the growth rate of GDP by 0.5 percentage point, and the growth rate of manufacturing employment by 1.3 percentage points over a 5-year period. Our results are robust to the endogeneity between trust and growth.

- "Corruption, Decentralization, and Yardstick Competition" *Economics of Governance,* 2010, 11: 269-294 (with Christopher J. Ellis and Glen R. Waddell).

Abstract: Several empirical studies have found a negative relationship between corruption and the decentralization of the powers to tax and spend. In this paper we explain this phenomenon using a model of Yardstick Competition. Using data on federal corruption-related convictions in U.S. states, we also provide new evidence that points to the existence of a spatial autoregressive component to explaining corruption. We interpret this as consistent with the theoretical findings.

- "Ethnic and Religious Diversity and Corruption", *Economics Letters*, 2008, 99: 98-102.

  Abstract: I analyze the effects of ethnic and religious diversity on corruption. Using data from US states, I find a positive and linear relationship between ethnic/religious polarization and corruption and an inverse-U-shaped relationship between ethnic/religious fractionalization and corruption.

- "Predation, Protection, and Accumulation: Endogenous Property Rights in an Overlapping Generations Growth Model", *International Tax and Public Finance*, 2005, 12 (4), 435-455 (with Christopher J. Ellis).

  Abstract: We study a simple growth model with overlapping generations in which property rights are insecure. Insecurityof property rights leads to predation. Due to predation some of the resources are used for protection purposes.Both predation and protection remove resources from the accumulation process. In the model individuals allocatetheir labor between working for firms and appropriating output from them. Firms allocate their capital betweenproduction and protection. Without government, the model generates a unique but inefficient equilibrium. Weshow that in this equilibrium the level of output is increasing in the rate of effectiveness of protection, the relativeutility of honesty, and the discount rate. Further, the equilibrium level of output is dynamically inefficient. Wethen extend the model to include a government as the sole provider of the public good "protection". Protectionis assumed to be financed by a capital tax imposed on firms. The model then yields multiple equilibria, withboth a stable high-protection low-predation equilibrium, and a stable low-protection high-predation equilibrium.Which equilibrium a country is most likely to achieve, and how difficult it is for a country to move to the moredesirable low-predation high-protection equilibrium, depend crucially on the parameters of the model describingthe economy's institutional structure. Hence, the results of the model support the emphasis placed by the WorldBank on the importance for growth of strengthening institutional structures in developing countries.

Working Papers

- Special Interest Groups and Economic Growth in the Unites States (pdf)

  Abstract: Using a direct measure of special interest group strength from Thomas and Hrebenar (1999), I analyze the effects of special interest groups on economic growth across 48 contiguous U.S. states. Thomas and Hrebenar (1999) categorize the strength of SIGs in each state into 5 categories: dominant, dominant/complementary, complementary, complementary/subordinate, and subordinate. I find a negative relationship between the special interest group strength and economic growth supporting Olson (1982). Holding everything else constant, the growth rate of median income over a decade is almost 4.5 percentage point lower in states in which special interest groups are dominant than it is in states in which interest groups are complementary/subordinate. The results are robust to endogeneity between economic growth and special interest group strength.

- Ethnic Diversity and Economic Growth in China (pdf)

Abstract: In this study, we investigate the effects of ethnic diversity on economic growth in People's Republic of China. Based on provincial data from 1982 to 2007, we find a negative relationship between ethnic diversity and economic growth across Chinese provinces supporting existing cross-country studies such as Alesina et al. (2003). According to our estimations, going from complete ethnic homogeneity to complete ethnic heterogeneity reduces the growth rate between 2 percentage points and 2.5 percentage points in China depending on the ethnic diversity index used.